

2014

ANNUAL REPORT



TENANTS
PARKING

STREET

HAMMERSMITH

SYDNEY MARKETS
PLAZA
Business and Shopping Centre

Plaza Road

North R

Growers

BUILDING
X

Growers Road

BUILD

Centre Road

AUSTIN AVE

Solar Panels

Flower Circuit

BUILDING F

Flower Circuit

Flower Circuit

BUILDING H

West Road

KERRUISH AVE

BUILDING J

South Road

First Ave

BUILDING A

Second Ave

BUILDING T

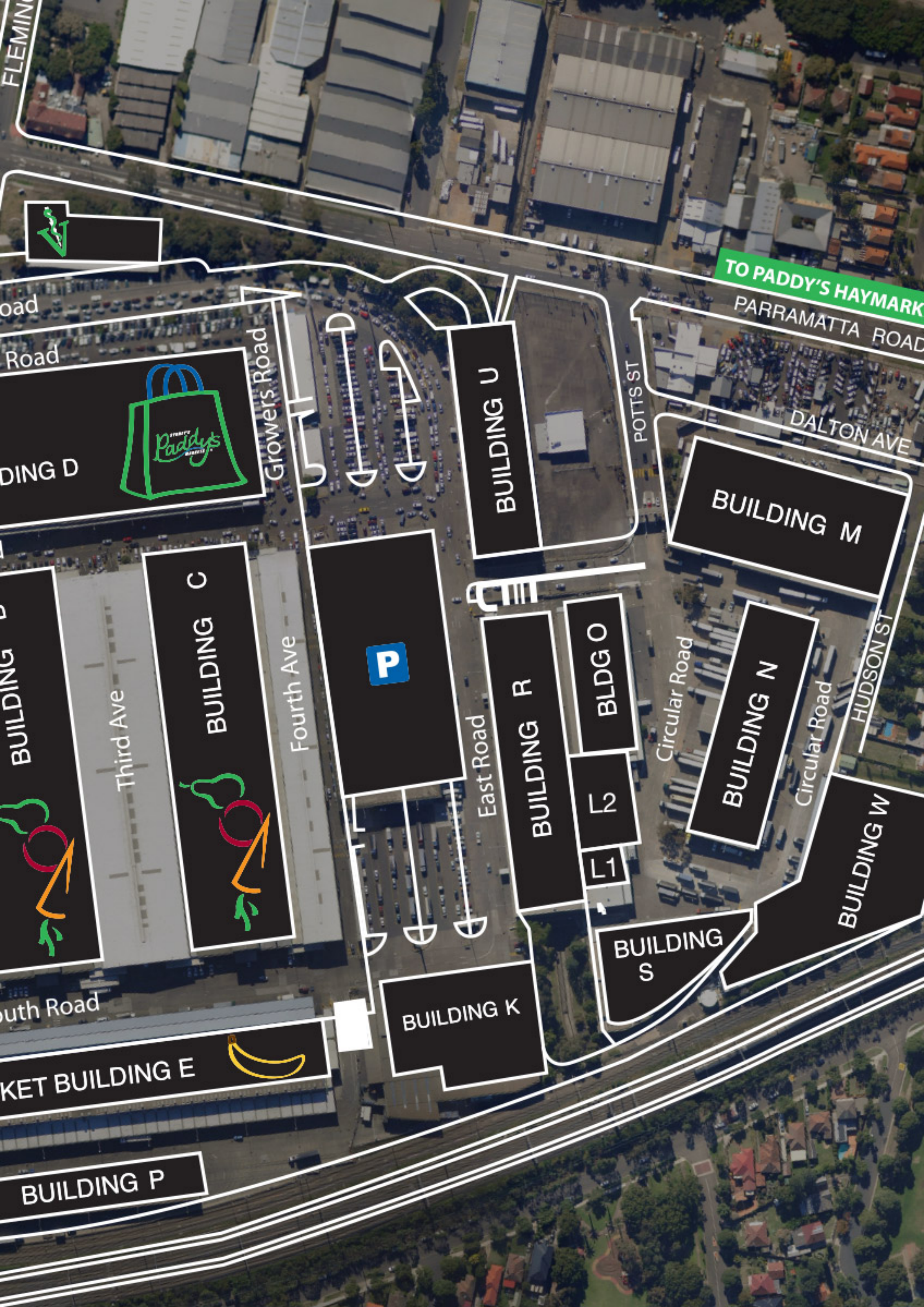
BUILDING G

BUILDING Q

BANANA MARKET

PROVIDORES

Railway Parade





BOARD OF DIRECTORS 2014



JOHN PEARSON
Chairman



COLIN GRAY
Expertise Director



BILL LYNCH
Expertise Director



DAVID HYNES
Independent Director



WILLIAM LEE
Nominee Director
Growers Market



COS CREMONA
Nominee Director
Warehouses



SHAUN McINERNEY
Nominee Director
Wholesale Market



JOHN OLIVIERI
Nominee Director
Flower Market



MARIO MESSINA
Nominee Director
Retail Markets

SENIOR MANAGEMENT



BRADLEY LATHAM
Chief Executive Officer



SHANE CHESTER
Head of Operations



GERRY DARAS
Head of Special Projects



MICHAEL GOLDEN
Chief Financial Officer/
Company Secretary



MARTIN FORSTER
Head of Site Services

annual report contents

30 June 2014

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

We are pleased to present the 2013/14 Sydney Markets Limited (SML) Annual Report.

The last 12 months has seen major changes to the political scene in Australia and as a result renewed confidence in most areas.

The financial performance of SML has remained strong. Coupled with that has been a large emphasis on safety in the workplace, which is highlighted further in this report later.

It is pleasing to note the throughput of product of fruit and vegetables has increased in volume from last financial year although the mix is changing with the Independent Stores increasing their level of spend.

The Growers report a steady year though with a squeeze on margins.

The Flower Market remains the showpiece for flowers in Australia whilst reportedly maintaining sales also on tight margins. Visitations to Paddy's at Haymarket have been strong and much work has been done and is being done to maintain this Market in its prime position as the best of its type in Australia.

Flemington Friday food sales remain strong but the need to enhance the overall offer has been noted and a number of initiatives are being worked on for implementation.

SML has again focused on improving the site through infrastructure initiatives such as solar panel car ports, providore units for the growing hospitality and restaurant sector, forklift storage areas for our stakeholders and the installation of energy efficient lighting. The next 12 months will see further projects including the extension of the western car park and the introduction of a Sydney Markets Cooking School.

Financially, SML has reported a strong and successful 12 months. The financials and other related activities follow.

FINANCIALS

The 2013/2014 Financial Year has resulted in another strong financial performance for SML.

- The Directors consider that the theoretical valuation (loss)/gain on derivative financial instruments is not a core operating or cash transaction and is unusual due to its size and nature. Accordingly the Directors have disclosed "Operating profit before theoretical (loss)/gain on derivatives" to assist users to better understand the financial performance of SML's core operations. Profit before theoretical valuation (loss)/gain on derivatives and income tax was \$8.6 million.
- Profit after tax before theoretical valuation (loss)/gain on derivatives of \$5.8 million.
- Operating revenue for the year increased by 0.6% compared to last year. The increase was attributable to continued strong Market occupancy levels.
- Total expenses were up by 2.4% during the year. This was mainly due to higher levels of repairs and maintenance.
- The total capital expenditure for the year was \$5.9 million. This was driven by the installation of customer lift in Car Park Y, the construction of Flower Market Solar Car Port, building of new Forklift Enclosures, the upgrade of Plaza Air Conditioning System and other infrastructure upgrades.
- The SML Board's continued commitment to reducing debt has seen borrowings for the purchase of the Sydney Markets site reduce from \$35 million at 1 July 2013 to \$33 million at 30 June 2014.

HIGHLIGHTS

Strategic Plan

- SML's Strategic Plan process for the period 2013 to 2018 is being implemented. The Plan represents an extensive review of SML's current situation, its performance over the previous five years and the environment in which it operates.

The five year plan presents five strategic imperatives aimed at maintaining our core base, building momentum in emerging growth opportunities and creating options for the future.

Successful implementation of the Plan will deliver a strong future for our people, shareholders and other stakeholders.

joint message from the Chairman & CEO

Environmental

- SML's environmental sustainability record has continued to improve during the reporting period which is highlighted by the fact that over 65% of the total waste at the Flemington and Paddy's Haymarket sites is recycled. SML has continued with its education seminars for Market stakeholders.

- Sydney Markets Limited's environmental initiatives have once again been acknowledged on the world stage.

SML prepared a submission under the Global Sustainability Leadership Category for the World CSR (Corporate Social Responsibility) Congress Awards. The submission focused on our outstanding achievements in the areas of waste management and recycling together with our water and energy saving initiatives.

Our submission was selected from over 2,500 international entries in the Global Sustainability Leadership Awards as the winner in the category of "Best Renewable Resources – Recycling".

This award was presented at the World CSR Congress Global Sustainability Conference & Awards held on 17-18 February 2014 in Mumbai, India, attended by delegates from over 1,000 companies from around the world.

Grow the Business

- A Memorandum of Understanding (MOU) has been entered into with Lend Lease who are developing the five hectares within the SICEEP Darling Harbour Live site.

Lend Lease and SML are working together to create a vision and concept for the development of a new Markets Gourmet Food District as part of a Mixed Use development.

Branding/Marketing

- During September 2013, Sydney Markets Limited Board and Management conducted an Industry Briefing in Bowen, North Queensland. This provided a fantastic opportunity to present to Industry Associations and Growers the benefits of the Central Market System. It also provided a forum to hear the views of growers within this region and gain a better understanding of the overall supply chain.
- In conjunction with the Department of Education, Sydney Markets Limited developed a "virtual excursion" which delivers healthy eating messages through our Fresh for Kids campaign to thousands of school children at a time.
- The OzHarvest CEO CookOff was held on 17 February 2014 at The Carriageworks in Sydney with over 120 business leaders participating.

Sydney Markets Limited raised over \$30,000 for the cause through donations including the Sydney Markets Foundation and other private donors. Sydney Markets also donated fresh fruit, flowers and vegetables to the event.

The CEO CookOff brought together celebrity chefs and CEOs to put the spotlight on food security and challenges faced by youth in crisis and Indigenous communities.

Over \$1 million was raised at the event in addition to 1,000 three course meals cooked by teams of business leaders who worked together with 36 celebrity chefs.

Sydney Markets was recognised in social and news media coverage.

- Negotiations were finalised with Production Company Hark Attack for the airing of a new 12 episode television series showcasing Sydney Markets. The documentary will focus on the journey of fresh produce from the farm through the Markets and on to its final destination. It is anticipated airing will commence towards the end of the year.

Stakeholder Incentives

- An energy discount scheme was introduced for stakeholders with formal Electricity Supply agreements entered into.

Safety Initiatives

- A number of safety initiatives have been introduced with positive effects including:
 - Conducting forklift training awareness courses for Market employees.
 - Introduction of road side forklift inspections.
 - Stringent policing of the requirement to wear seat belts whilst driving forklifts on site.
 - Increased staffing levels to focus on safety initiatives including safe forklift, traffic and customer movements.

joint message from the Chairman & CEO

JOINT MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER (continued)

Infrastructure

- Extensive roadway repairs have continued to be carried out during the reporting period. Further works will continue over the next 12 months in line with our comprehensive repair program.
- Installation of the industrial lift in the Eastern Car Park was completed during December 2013. This now provides convenient access for customers and shopping trolleys to the underutilised sections of the car park.
- Solar powered carport structures were installed adjacent to the Sydney Flower Market. The integrated system is producing power to cover the operations of the Flower Market. The system will be the largest solar carport structure in Australia.
- Construction of the second stage of Providore Units was approved during the reporting period. The nine new units will be located adjacent to the current structures at the rail siding. They will provide formal working premises for the growing hospitality, restaurant and catering sector.
- Construction of 26 Forklift Enclosures was approved during the reporting period. The construction tender process is now complete.
- The first stage of the roll out plan for energy efficient lighting has commenced with 950 warehouse lights being replaced with new energy efficient light fittings resulting in a 300% improvement in lighting levels in addition to reduced power costs for our tenants. Next stages will include street and awning lighting.
- Two exciting projects will commence during the next 12 months with the Board providing approval in principle to proceed with the extension of Car Park V, which will create an additional 350 parking positions, and to establish Sydney Markets Cooking School.

Paddy's Market

- Works have been completed to create a meat, delicatessen and poultry offer adjacent to the seafood sales to complete a comprehensive fresh food offer at Paddy's Haymarket. Trading commenced in September.
- An estimated 50,000 people attended this year's Kids Carnival at Paddy's Flemington on Sunday 25 May 2014. The annual Paddy's event continues to showcase for the Paddy's Brand.

Other News:

- In June 2014 Mr Shaun McInerney and Mr John Olivieri were re-elected as Nominee Directors in the Wholesale and Flower Market categories respectively.

In September 2014 Mr Colin Gray was re-elected as Expertise Director.

We congratulate Mr McInerney, Mr Olivieri and Mr Gray on their appointments.

- The Sydney Markets annual Mango Auction, Cherry Auction and Race Day raised a combined total of \$120,000 for the Sydney Markets Foundation. The funds raised assisted the Save Our Sons, the Prostate Cancer Foundation of Australia, Cancer Council and Oz Harvest. Congratulations must go to the Markets community on this outstanding achievement.
- Continued Industry participation is highlighted by SML's attendance at a range of events including the Ausveg Convention, PMA A-NZ, Australian Chamber Fresh Connections Conference, the Asia Pacific Working Group Conference and World Union of Wholesale Markets Conference.

In conclusion, our sincere thanks go to our Directors, Management, staff and contractors and to all stakeholders, in particular those who give their time to represent on the Council of Market Representatives, the Fresh for Kids Committee and the Paddy's Advisory Committee.

All financial indicators show SML can look forward to another strong performance for the 2014-2015 year.



MR BRADLEY LATHAM
CHIEF EXECUTIVE OFFICER



MR JOHN PEARSON
CHAIRMAN

marketing report

Marketing plays an important role in keeping the Sydney Markets Limited's brand active in the marketplace.

As well as successful marketing initiatives undertaken by Sydney's Paddy's Markets, Sydney Markets Limited also conducts three other major marketing programs:

1. Fresh for Kids
2. Greengrocer of the Year
3. Florist of the Year

FRESH FOR KIDS

The Fresh for Kids program is aimed at combating the rising levels of obesity in school-age children by encouraging them to eat plenty of fresh fruit and vegetables and do more exercise.

The program comprises numerous components that work both together and independently.

- The F&V Gang® – a lovable group of 7 life-size fruit and vegetable characters being Summa Strawberry®, Captain Capsicum®, Megabite Apple®, Oscar Orange®, Bazza Banana®, Tamara Tomato® and Brooke Broccoli®.
- freshforkids.com.au is an award-winning website which contains valuable resources for schools, student and canteen managers. The site contains stencils, work sheets and educational games for teachers to utilise in classrooms and recipes for parents to try at home with their kids.
- A major sponsorship of the School Sports Foundation and regularly hosts Premiers Sporting Ambassador visits to primary schools in the state.
- A yearly Canteen Program that rewards kids for making the healthy choice at the canteen. The program includes over 3,800 schools. Since 2008 approximately 1.2 million children have taken part in the program and have consumed over one million pieces of fruit.
- A quarterly Canteen Fresh brochure that provides inspiration and demonstrates that fruit and vegetables can be easy to prepare.

The Fresh for Kids program continues to increase in popularity and is licensed to both Brisbane and Newcastle Markets who are also enjoying similar successful results.

GREENGROCER OF THE YEAR

The Greengrocer of the Year Program rewards excellence in fresh produce retailing.

Throughout the year registered independent greengrocers across NSW and the ACT are frequented regularly by professional mystery shoppers who critique the stores' produce, cleanliness, level of customer service, in-store display, staff knowledge and merchandising skills all from a customer's perspective.

The information obtained by the professional mystery shoppers, together with additional industry criteria is used to determine the recipients of the Greengrocer of the Month awards and ultimately the Metropolitan and Regional Greengrocer of the Year awards which are presented at a Gala Dinner each year.

This program is very successful as it provides greengrocers with a summary on the positive aspects of their business and at the same time alerts them to areas that may require change, which in turn improves the public's perception within their store and improves productivity, with the end result being increased sales.

This long running program is popular within the industry as it promotes and acknowledges best practices and plays an important role in increasing the levels of retail excellence year after year.

FLORIST OF THE YEAR

Sydney Markets Limited's Florist of the Year program is highly recognised within the industry and is considered to be a useful resource to participating florists providing them with invaluable information on areas of their business which may require further improvement or highlighting areas which are doing exceptionally well.

Each year, participating florists are critiqued by mystery shoppers on several aspects of their business including customer service, environment, product knowledge and branding.

Monthly winners are chosen and the Florist of the Year is awarded at the annual industry dinner.

The Greengrocer and Florist of the Year programs have the added benefit of increasing wholesale trade for Sydney Markets Wholesalers.

Directors' report

Your Directors present their report on Sydney Markets Limited (the company) for the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of Sydney Markets Limited during the whole of the financial year and up to the date of this report:

Mr John C. Pearson	Chairman
Mr Colin H. Gray	Deputy Chairman from 21 August 2013 to 20 August 2014
Mr William W. Lee	
Mr David J. Whiteman	Up to 17 July 2013
Mr William L. Lynch	Deputy Chairman from 15 August 2012 to 21 August 2013
Mr Cosimo Cremona	From 17 July 2013
Mr David W. Hynes	Deputy Chairman from 20 August 2014
Mr Alvisio (John) Olivieri	
Mr Shaun M. McInerney	
Mr Mario J. Messina	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of Sydney Markets Limited during the financial year were to manage and administer the Sydney Markets at Flemington and Haymarket.

There was no significant change in the nature of the activity of the company during the year.

REVIEW OF OPERATIONS

A review of operations is provided in the Joint Message from the Chairman and CEO.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the company during the year.

DIVIDENDS – SYDNEY MARKETS LIMITED

No dividends were paid or recommended during the year. Sydney Markets Limited's policy, as disclosed in the Prospectus dated 16 February 1998, is that no dividends will be declared. In exceptional circumstances the Directors may elect to declare a dividend, however, the Directors do not currently envisage any circumstance giving rise to the declaration of a dividend.

The reason for Sydney Markets Limited's dividend policy is that, in the opinion of the Directors, all cash and other reserves will need to be maintained, invested and accumulated in order to fund the costs associated with the continuation of the Central Markets.

Following the purchase of the Sydney Markets Site at Flemington from the NSW Government, the Board's policy has been to use any surplus cash resources to pay down its bank loan facility and for the purchase of key adjoining properties to allow for future expansion.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are unaware of any significant event or development in the operations of Sydney Markets Limited and the expected results of those operations in future financial years, which will significantly change the state of affairs of Sydney Markets Limited or its shareholders.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2014 which has significantly affected or may significantly affect the operations of Sydney Markets Limited, the results of those operations, or the state of affairs of Sydney Markets Limited in subsequent financial years.

Directors' report

ENVIRONMENTAL REGULATION

Sydney Markets Limited's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State.

Sydney Markets Limited is subject to regulations under the *Environmental Protection Authority Act* in regards to the discharge of trade waste water and other liquid waste. Sydney Markets Limited engages independent and registered testing companies to continuously monitor the discharge of trade waste water and other liquid waste from the Flemington site. Sydney Markets Limited has complied with all the required regulations during the year ended 30 June 2014.

INFORMATION ON DIRECTORS

Mr John C. Pearson – Non-Executive Director & Chairman

- Experience and expertise:
- Board Member since 2003
 - Chairman since 18 May 2005
 - Chair, Director Selection Committee, Freshcare Limited
 - Experienced and successful finance executive with significant banking, building society and management exposure at senior levels.
- Other current directorships:
- Director of R.P. Cricket Pty Ltd – T/A Randwick Petersham Foundation
- SML Committees:
- Finance and Audit, Remuneration, Master Plan, Retail Markets Sub Committee
- Interests in shares and options:
- Nil

Mr David J. Whiteman – Non-Executive Nominee Director – Warehouses

- Qualifications:
- BA (Macquarie University) majoring in Economics & Financial Studies
- Experience and expertise:
- Deputy Chairman from 23 July 2009 to 25 August 2010, Board Member from 21 July 2004 to 17 July 2013
 - Over 46 years experience in the fruit and vegetable industry
- Other current directorships:
- Director of C J Lewis Pty Ltd
 - Director of C J Lewis Aust Pty Ltd
 - Director of Mount View (Batlow) Pty Ltd
 - Director of David Investments Pty Ltd
 - Director of Chamber (Holdings) Pty Ltd
 - Director of NSW Chamber (Services) Pty Ltd
 - Vice President, The NSW Chamber of Fruit and Vegetable Industries Inc.
 - Vice President, The Australian Chamber of Fruit and Vegetable Industries Ltd
- SML Committees:
- Chairman, Environment Management
- Interests in shares:
- Nil

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr Colin H. Gray	– Non-Executive Expertise Director, Deputy Chairman from 21 August 2013 to 20 August 2014
Qualifications:	<ul style="list-style-type: none"> – Graduate, Officer Training Unit, Scheyville – Graduate, Australian Army Command and Staff College (psc) – Fellow, CPA Australia (FCPA) – Associate Fellow, Australian Institute of Management (AFAIM) – Associate Fellow, Australian Society of Association Executives (AFSAE) – Member, Australian Institute of Company Directors (MAICD) – Member, Australian Institute of Training and Development (MAITD) – Qualified Mediator (Law Societies of NSW, VIC, SA and WA)
Experience and expertise:	<ul style="list-style-type: none"> – Founding Director and Board Member since 1997 – Deputy Chairman 2002-03, 2010-11 and 2013-14 – Past Chairman, Sydney Markets Industries Group – Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd 1999-2009 and from June 2014 – Appointed to several Government and Industry Committees. Currently a member of the ACCC Small Business Consultative Committee – Worked as an accountant in private industry – More than 20 years fulltime service with the Australian Army and 10 years with the Army Reserve in command, training, facilities management and operational appointments in Australia, in South East Asia and Europe and with the United Nations in the Middle East. Achieved the rank of Lieutenant Colonel – Over 20 years experience in Sydney Markets as CEO Freshmark, The NSW Chamber of Fruit and Vegetables Industries Inc.
Other current directorships:	<ul style="list-style-type: none"> – Secretary, Chamber (Holdings) Pty Ltd – Secretary, NSW Chamber (Services) Pty Ltd – Secretary, Sydney Markets Foundation Inc. – Executive Director, The Australian Chamber of Fruit and Vegetable Industries Ltd
SML Committees:	– Finance and Audit, Master Plan, Fresh for Kids, Retail Markets Sub Committee
Interests in shares:	– Nil
Mr William L. Lynch	– Non-Executive Director, Deputy Chairman from 15 August 2012 to 21 August 2013
Experience and expertise:	<ul style="list-style-type: none"> – Board Member since 1998 – Over 56 years in the Australian Horticulture Industry as a grower, wholesaler and retailer – Past President, Australian Flower Growers Association – Past President, Flower Growers Group of NSW Inc. – Associate Member, The NSW Chamber of Fruit and Vegetable Industries Inc.
Other current directorships:	<ul style="list-style-type: none"> – Director of W & D Lynch Pty Ltd – Director of Carismatic Pty Ltd
SML Committees:	– Remuneration, Finance and Audit Committee
Interests in shares:	– Six Flower Market Ordinary Shares

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr David W. Hynes	– Non-Executive Independent Director, Deputy Chairman from 20 August 2014
Qualifications:	– B.Ec / LL.B (Sydney Uni)
Experience and expertise:	– Deputy Chairman from 17 August 2011 to 15 August 2012, Board Member since 2005
Other current directorships:	– Executive Director of Winston Langley Pty Limited, a property development and property advisory organisation – President of the Australian Baseball Federation
SML Committees:	– Remuneration, Master Plan, Retail Markets Sub Committee
Interests in shares:	– Nil
Mr Cosimo Cremona	– Non-Executive Nominee Director – Warehouses
Experience and expertise:	– Board Member from 24 July 2002 to 13 July 2011 and from 17 July 2013 – Over 34 years experience in the fruit and vegetable industry – Member of the Lions Club, Sydney Markets
Other current directorships:	– Nil
SML Committees:	– Environment Management
Interests in shares:	– Nil
Mr Alvisio (John) Olivieri	– Non-Executive Nominee Director – Flower Market
Experience and expertise:	– Board Member since July 2008 – Over 35 years involvement in the cut flower industry – Former Vice President of NSW Flower Growers Association
Other current directorships:	– Director of A & L Property Developments Pty Ltd.
SML Committees:	– Nil
Interests in shares:	– Three Flower Market Ordinary Shares
Mr Shaun M. McInerney	– Non-Executive Nominee Director – Wholesale
Experience and expertise:	– Board Member since July 2011 – Over 32 years experience in the fruit and vegetable industry
Other current directorships:	– Director Fresh Fellas Pty Limited
SML committees:	– Environment Management
Interests in shares:	– Six Retail Markets Ordinary Shares, two Wholesale Market Ordinary Shares, one Warehouse Ordinary Share and one Growers Market Ordinary Share

Directors' report

INFORMATION ON DIRECTORS (continued)

Mr William W. Lee	– Non-Executive Nominee Director – Growers Market
Experience and expertise:	– Board Member since 26 October 2011 – Over 53 years experience in the growers industry
Other current directorships:	– Lee Bong Bros Pty Ltd
SML committees:	– Nil
Interests in shares:	– Three Retail Markets Ordinary Shares, two Growers Market Ordinary Shares and one Warehouse Ordinary Share
Mr Mario J. Messina	– Non-Executive Nominee Director – Retail Markets
Qualifications:	– Diploma – Marketing
Experience and expertise:	– Board Member since 18 July 2012 – Over 27 years experience at Sydney Markets – Representative, Paddy's Advisory Committee – Member of Council of Market Representatives from September 1999 to June 2012
Other current directorships:	– Nil
SML committees:	– Environment Management
Interests in shares:	– Eight Retail Markets Ordinary Shares.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Michael Golden

Mr Michael Golden has over 14 years experience in Chief Financial Officer roles. He is a Fellow of the Institute of Public Accountants and a Chartered Tax Advisor of the Taxation Institute of Australia.

Directors' report

MEETINGS OF DIRECTORS

Details of Directors' meetings held during the financial year ended 30 June 2013 and Directors' attendances at these meetings were as follows:

	Full meetings of Directors		Finance & audit committee meetings	
	A	B	A	B
Mr John C. Pearson	12	12	11	11
Mr Colin H. Gray	12	12	11	11
Mr William L. Lynch	12	11	11	7
Mr Alvisio (John) Olivieri	12	11	—	—
Mr Shaun M. McInerney	12	12	—	—
Mr William W. Lee	12	12	—	—
Mr David W. Hynes	12	10	—	—
Mr Mario J. Messina	12	12	—	—

A = Number of meetings held during the time the Director held office or was a member of the committee during the year

B = Number of meetings attended

DIRECTORS AND OFFICERS REMUNERATION

No Director or Officer of Sydney Markets Limited is a party to any contract with Sydney Markets Limited under which the Director or Officer is entitled to a benefit except for:

- (a) Directors' and Officers' fees and remuneration as shown in Sydney Markets Limited's remuneration report below (Part B).
- (b) Interests or involvement in a company or entity that has a lease or licence with Sydney Markets Limited on terms and conditions no more favourable than those of other Market tenants (note 23).

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The key management personnel comprise the directors and the following persons who had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

Key Management Personnel	Position
Mr Bradley R. Latham	Chief Executive Officer
Mr Gerry Daras	Head of Special Projects
Mr Michael W. Golden	Chief Financial Officer
Mr Shane R. Chester	Head of Operations
Mr Martin J. Forster	Head of Site Services

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

A Principles used to determine the nature and amount of remuneration

The compensation structure for key management personnel is based on the experience and capability of the individual concerned, the market level for jobs of comparable nature, size and level of responsibility and the overall performance of Sydney Markets Limited. The contracts for service between Sydney Markets Limited and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

The Remuneration Committee sets senior management salaries and bonuses, based on agreed individual key performance indicators and reviews on the anniversary of employment date.

The objective of Sydney Markets Limited's senior management reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns their reward with achievement of strategic and operating objectives, and conforms with market best practice for delivery of reward. The Board ensures that senior management reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The employment conditions of the Chief Executive Officer and other key management personnel are formalised in open contracts of employment, generally requiring three to six months notice of termination.

Directors' fees are determined within an aggregate Directors' fee pool limit. The pool limit for the 2014 year was \$465,168 (2013: \$453,034) as approved by the shareholders.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and other key management personnel of the company (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables. The performance related % shows the % of total remuneration which is subject to the performance of the individual and Sydney Markets Limited as determined by the Remuneration Committee.

2014

Name	Cash salary and fees \$	Cash bonus \$	Non- monetary benefits \$	Super- annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson	104,654	—	—	9,680	114,334	N/A
Mr Colin H. Gray	32,941	—	1,200	9,713	43,854	N/A
Mr William L. Lynch	38,941	—	1,200	3,713	43,854	N/A
Mr Alvisio (John) Olivieri	38,941	—	1,200	3,713	43,854	N/A
Mr David W. Hynes	38,941	—	1,200	3,713	43,854	N/A
Mr Shaun M. McInerney	38,941	—	1,200	3,713	43,854	N/A
Mr William W. Lee	38,941	—	1,200	3,713	43,854	N/A
Mr Mario J. Messina	38,941	—	1,200	3,713	43,854	N/A
Mr. Cosimo Cremona	38,941	—	1,200	3,713	43,854	N/A
Total	410,182	—	9,600	45,384	465,166	

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

B Details of remuneration (continued) 2014

Name	Cash salary and fees \$	Cash bonus \$	Non- monetary benefits \$	Super- annuation \$	Total \$	Performance related %
Other key management personnel						
Mr Bradley R. Latham	285,518	10,000	35,452	25,012	355,982	2.8%
Mr Gerry Daras	118,923	5,000	35,085	36,104	195,112	2.6%
Mr Michael W. Golden	157,350	5,000	—	15,017	177,367	2.8%
Mr Shane R. Chester	116,780	5,000	21,030	11,265	154,075	3.2%
Mr Martin J. Forster	115,713	5,000	—	26,585	147,298	3.4%
Total	794,284	30,000	91,567	113,983	1,029,834	
Total	1,204,466	30,000	101,167	159,367	1,495,000	

2013

Name	Cash salary and fees \$	Cash bonus \$	Non- monetary benefits \$	Super- annuation \$	Total \$	Performance related %
Non-executive Directors						
Mr John C. Pearson	102,101	—	—	9,189	111,290	N/A
Mr Colin H. Gray	33,991	—	1,200	7,527	42,718	N/A
Mr William L. Lynch	37,991	—	1,200	3,527	42,718	N/A
Mr David J. Whiteman	37,991	—	1,200	3,527	42,718	N/A
Mr Alvisio (John) Olivieri	37,991	—	1,200	3,527	42,718	N/A
Mr David W. Hynes	37,991	—	1,200	3,527	42,718	N/A
Mr Shaun M. McInerney	37,991	—	1,200	3,527	42,718	N/A
Mr William W. Lee	37,991	—	1,200	3,527	42,718	N/A
Mr Mario J. Messina	37,991	—	1,200	3,527	42,718	N/A
Total	402,029	—	9,600	41,405	453,034	
Other key management personnel						
Mr Bradley R. Latham	278,098	10,000	23,191	24,871	336,160	3.0%
Mr Gerry Daras	116,683	5,000	33,549	25,991	181,223	2.8%
Mr Michael W. Golden	150,963	5,000	—	14,037	170,000	2.9%
Mr Shane R. Chester	102,430	5,000	11,566	9,669	128,665	3.9%
Mr Martin J. Forster	122,921	5,000	—	15,710	143,631	3.5%
Total	771,095	30,000	68,306	90,278	959,679	
Total	1,173,124	30,000	77,906	131,683	1,412,713	

Shares under option

No options over shares were granted or redeemed during the year.
Sydney Markets Limited's Constitution precludes share options.

Directors' report

DIRECTORS AND OFFICERS REMUNERATION (continued)

Equity instrument disclosures relating to key management personnel

Share holdings

The numbers of shares held directly, indirectly or beneficially held during the financial year by each Director of Sydney Markets Limited and other key management personnel of the company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2014	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	—	6
Mr Alvisio (John) Olivieri	4	—	4
Mr Shaun M. McInerney	10	—	10
Mr William W. Lee	6	—	6
Mr Mario J. Messina	8	—	8

2013	Balance at the start of the year or on date of appointment	Changes during the year	Balance at end of the year
Name			
Directors of Sydney Markets Limited			
Ordinary shares			
Mr William L. Lynch	6	—	6
Mr Alvisio (John) Olivieri	4	—	4
Mr Shaun M. McInerney	10	—	10
Mr William W. Lee	6	—	6
Mr Mario J. Messina	8	—	8

Other transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

	2014 \$	2013 \$
Amounts recognised as revenue		
Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)	347,798	411,979
Amounts recognised as expense		
Total expenditure paid or payable by Sydney Markets Limited to Director-related entities for produce, sponsorships and scholarships (recognised in advertising and promotion costs and management and administration costs)	82,123	88,826

The names of Directors concerned with the above transactions were Mr David J. Whiteman; Mr Colin H. Gray, Mr William L. Lynch, Mr Alvisio (John) Olivieri, Mr William W. Lee, Mr Mario J. Messina and Mr Shaun M. McInerney.

Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets Limited during the financial year.

Directors' report

CORPORATE GOVERNANCE STATEMENT

Board composition

The composition of the Board is in accordance with the criteria laid down in Sydney Markets Limited's Constitution.

Directors' shareholdings

No Director holds or is able to hold any share in Sydney Markets Limited except where he has a share entitlement as a holder of tradeable space in accordance with Sydney Markets Limited's Constitution.

Directors' committees

Directors' Committees encompassing Finance and Audit, Environment Management, Remuneration and Master Plan operated during the year and these committees meet on a regular basis.

Ethical standards

Directors, staff and contractors are required to abide by Sydney Markets Limited's Code of Conduct.

Insurance of officers

During the financial year, Sydney Markets Limited paid insurance premiums for Directors and Officers Liability Insurance in respect of any person who is or has been a Director or Officer of Sydney Markets Limited. The terms of the policy do not allow the amount of the premium to be disclosed.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

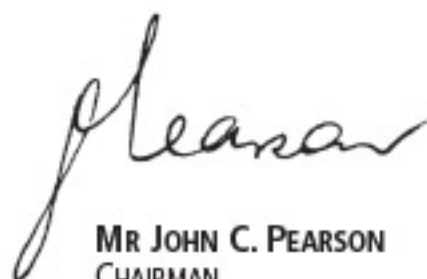
ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.



MR JOHN C. PEARSON
CHAIRMAN



MR COLIN H. GRAY
DIRECTOR

Sydney
17 September 2014

auditor's independence declaration

Directors' report



Auditor's Independence Declaration

As lead auditor for the audit of Sydney Markets Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sydney Markets Limited.

A handwritten signature in black ink, appearing to read 'S J Bourke'.

S J Bourke
Partner
PricewaterhouseCoopers

Sydney
17 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757

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financial report contents

30 June 2014

SYDNEY MARKETS LIMITED
ABN 51 077 119 290
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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These financial statements are the financial statements of Sydney Markets Limited as an individual entity. The financial statements are presented in the Australian currency.

Sydney Markets Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Sydney Markets Limited
Level 3, Market Plaza Building
Sydney Markets NSW 2129

A description of the nature of the company's operations and its principal activities is included in the Directors' report on pages 6 to 16, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 17 September 2014. The Directors have the power to amend and reissue the financial statements.

statement of comprehensive income

for the year ended

30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations	4	58,213	57,878
Other income	5	22	8
Property cost		(24,102)	(24,093)
Payroll cost		(5,943)	(5,641)
Repairs and maintenance		(6,303)	(5,427)
Management and administration cost		(1,003)	(905)
Advertising and promotion		(4,576)	(4,279)
Professional fee		(1,864)	(1,717)
Depreciation expense	6	(3,384)	(3,529)
Finance expense		(2,465)	(2,881)
Total expenses from continuing operations		(49,640)	(48,472)
Theoretical valuation gain on derivatives		776	1,173
Profit before income tax		9,371	10,587
Income tax expense	7	(2,815)	(3,152)
Profit for the year		6,556	7,435
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	21(a)	–	(529)
Income tax relating to components of other comprehensive income	21(a)	–	159
		–	(370)
Other comprehensive income for the year, net of tax		–	(370)
Total comprehensive income for the year		6,556	7,065
Profit is attributable to:			
Owners of Sydney Markets Limited		6,556	7,435
Total comprehensive income for the year is attributable to:			
Owners of Sydney Markets Limited		6,556	7,065

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

balance sheet

as at

30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	2,589	2,660
Trade and other receivables	9	13,164	12,088
Total current assets		15,753	14,748
Non-current assets			
Property, plant and equipment	11	120,095	117,556
Total non-current assets		120,095	117,556
Total assets		135,848	132,304
LIABILITIES			
Current liabilities			
Trade and other payables	13	3,741	3,712
Borrowings	17	33,000	–
Derivative financial instruments	10	628	1,010
Current tax liabilities	15	368	404
Provisions	14	566	518
Other current liabilities	16	10,325	10,720
Total current liabilities		48,628	16,364
Non-current liabilities			
Borrowings	17	–	35,000
Derivative financial instruments	10	773	1,166
Deferred tax liabilities	18	4,052	3,946
Provisions	19	149	138
Total non-current liabilities		4,974	40,250
Total liabilities		53,602	56,614
Net assets		82,246	75,690
EQUITY			
Contributed equity	20	7	7
Retained earnings	21(b)	82,239	75,683
Total equity		82,246	75,690

The above balance sheet should be read in conjunction with the accompanying notes.

statement of changes in equity

for the year ended

30 June 2014

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2012	7	370	68,248	68,625
Profit for the year	–	–	7,435	7,435
Other comprehensive income	–	(370)	–	(370)
Total comprehensive income for the year	–	(370)	7,435	7,065
Balance at 30 June 2013	7	–	75,683	75,690
Balance at 1 July 2013	7	–	75,683	75,690
Profit for the year	–	–	6,556	6,556
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	6,556	6,556
Balance at 30 June 2014	7	–	82,239	82,246

The above statement of changes in equity should be read in conjunction with the accompanying notes.

statement of cash flows

for the year ended

30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		57,848	60,685
Payments to suppliers and employees (inclusive of goods and services tax)		(44,614)	(47,123)
		13,234	13,562
Interest received		41	69
Interest paid		(2,465)	(2,881)
Income taxes paid		(2,980)	(2,771)
Net cash inflow from operating activities	30	7,830	7,979
Cash flows from investing activities			
Payments for property, plant and equipment	11	(5,978)	(2,389)
Proceeds from sale of property, plant and equipment		77	145
Net cash (outflow) from investing activities		(5,901)	(2,244)
Cash flows from financing activities			
Repayment of borrowings		(2,000)	(3,500)
Net cash (outflow) from financing activities		(2,000)	(3,500)
Net (decrease) increase in cash and cash equivalents		(71)	2,235
Cash and cash equivalents at the beginning of the financial year		2,660	425
Cash and cash equivalents at the end of the year	8	2,589	2,660

The above statement of cash flows should be read in conjunction with the accompanying notes.

notes to the financial statements

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30 June 2014

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notes to the financial statements

for the year ended

30 June 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Sydney Markets Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the Sydney Markets Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the company

The company has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

(iii) Early adoption of standards

The company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain assets which, as noted, are at fair value.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(vi) Going concern

As at 30 June 2014 the company had an excess of current liabilities over current assets of \$32,875,000 primarily due to the \$33,000,000 loan facility maturing on 30 June 2015. The directors expect this facility to be renewed before it falls due. The financial statements have been prepared on the basis that the company is a going concern as the directors have reviewed forecast earnings and cash flows for 12 months from the date of this report and expect the company will be able to meet its obligations as they become due and payable.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the business, have been identified as the Senior Management team.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets, other than motor vehicles, is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in case of leasehold improvements, the shorter lease term. Motor vehicles are depreciated on a diminishing basis commencing from the date of acquisition. The depreciation rates used for each class of property, plant and equipment are:

	Depreciation rate
Buildings	2.5%
Plant and machinery	15%
Fixtures, fittings and equipment	15%
Leasehold improvements	2.5%
Motor vehicles	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(f) Financial instruments

Recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Financial liabilities

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Sydney Markets Limited designates certain derivatives as hedging instruments. In such cases, on entering into a derivative contract, Sydney Markets Limited documents the relationship between the derivative and the items being hedged, such as the variable rate on interest payments, as well as its objective for entering into the derivative contract. It also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion and changes in the fair value of derivatives that do not qualify as cash flow hedges are recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

Fair value

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using quoted market prices or dealer quotes for similar instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Sydney Markets Limited for similar financial instruments.

Impairment

At each reporting date, Sydney Markets Limited assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

(g) Impairment of assets

At each reporting date, Sydney Markets Limited reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, Sydney Markets Limited estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee benefits

Provision is made for Sydney Markets Limited liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(i) Provisions

Provisions are recognised when Sydney Markets Limited has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Sydney Markets Limited's functional and presentation currency.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised on an accruals basis in accordance with tenancy agreements or as services are rendered. Rental and other amounts received or receivable from tenants in respect of periods subsequent to the reporting period are included within liabilities. Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment of receivables, ie. allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment of receivables is established when there is objective evidence that Sydney Markets Limited will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the allowance is recognised in profit or loss.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to Sydney Markets Limited prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

notes to the financial statements for the year ended

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Contributed equity

Ordinary shares are classified as equity as they entitle the holder to a residual interest in the net assets of Sydney Markets, in proportion to their respective tradeable space, so that each share is "stapled" to one unit of tradeable space.

(r) Promotional levies

Promotional levies are monies derived from levies on tenants where the funds are allocated to the promotion of the relevant area of the Markets. Any unused portion of these levies is recorded as a liability until expended.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets purchased are recognised net of the amount of goods and services tax (GST).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations, which may be relevant to the company, is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2017)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. AASB addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting.

The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The company has not yet decided when to adopt AASB 9.

The adoption of the standard is not expected to have a material impact on the company.

There are no other standards that are not yet effective and that are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

30 June 2014

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

(a) Key estimates and judgements

(i) Impairment

Sydney Markets Limited assesses impairment at each reporting date by evaluating conditions specific to Sydney Markets that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

(ii) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(iii) Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the larger number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts.

3 SEGMENT INFORMATION

Sydney Markets Limited manages and administers the operations of the largest central produce and retail markets in Australia. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the business, have been identified as the Senior Management team. Internal reporting provided to the Senior Management team shows a single operating segment being the business as a whole.

4	REVENUE	2014 \$'000	2013 \$'000
	From continuing operations		
	Rents	23,001	22,537
	Dues and fees	19,338	19,084
	Other operating revenue	11,791	11,944
	Advertising and promotions	3,322	3,289
	Consideration on transfer of licences and leases	569	874
	Interest revenue	41	69
	Other revenue	151	81
		<u>58,213</u>	<u>57,878</u>
5	OTHER INCOME		
	Net gain on disposal of property, plant and equipment	<u>22</u>	<u>8</u>

notes to the financial statements for the year ended

	2014 \$'000	2013 \$'000
6 EXPENSES		
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	1,754	1,739
Plant and equipment	1,473	1,630
Leasehold improvements	157	159
Total depreciation	3,384	3,528
Finance costs		
Interest and finance charges paid to external parties	2,465	2,881
Rental expense relating to operating leases		
Minimum lease payments	2,927	2,855
7 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax – current year	2,584	2,676
Current tax – prior year	125	134
Deferred tax	228	502
Deferred tax – prior year	(122)	(160)
	2,815	3,152
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 12)	420	167
Increase in deferred tax liabilities (note 18)	(314)	175
	106	342
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	9,371	10,587
Tax at the Australian tax rate of 30% (2013 – 30%)	2,811	3,176
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	–	2
	2,811	3,178
Adjustments from prior periods	4	(26)
Income tax expense	2,815	3,152
(c) Tax (income) relating to items of other comprehensive income		
Cash flow hedges (notes 12)	–	(159)

30 June 2014

	2014 \$'000	2013 \$'000
8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,589	2,660

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Trade receivables	6,322	5,641
Receivables invoiced in advance	3,176	3,288
Provision for impairment of receivables (a)	(60)	(50)
	9,438	8,879
Accrued income and other receivables	1,336	1,383
Prepayments	2,390	1,826
	13,164	12,088

(a) Provision for impairment of trade receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expenses.

Movements in the provision for impairment of receivables are as follows:

Opening balance	50	40
Provision for impairment recognised during the year	10	10
Closing balance	60	50

(b) Past due but not impaired

As at 30 June 2014, trade receivables of \$3,426,000 (2013: \$4,354,000) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 3 months	2,319	3,708
3 to 6 months	1,107	646
	3,426	4,354

notes to the financial statements for the year ended

10 DERIVATIVE FINANCIAL INSTRUMENTS	2014 \$'000	2013 \$'000
Current liabilities		
Interest rate collars	628	1,010
Total current derivative financial instrument liabilities	628	1,010
Non-current liabilities		
Interest rate collars	773	1,166
Total non-current derivative financial instrument liabilities	773	1,166
Total derivative financial instrument liabilities	1,401	2,176

(a) Instruments used by the company

Sydney Markets Limited has entered into interest rate collar agreements, in which variable interest rate obligations move up or down only within a narrow band (between a cap and a floor).

Derivatives currently in place cover 91% (2013: 86%) of the variable loan principal outstanding. The derivatives are timed to match the repayment terms of the existing loans or the forecast terms of replacement loans which will be negotiated prior to the expiry of the existing loans. Details of the terms of the derivatives are set out below.

	2014 \$'000	2013 \$'000
Settlement of interest rate collars:		
Less than 1 year Max 7.75%, Min 7.19%	15,000	15,000
1 to 5 years Max 6.81%, Min 3.75%	15,000	5,000
More than 5 years Max 6.81%, Min 3.75%	–	10,000
	30,000	30,000

The fair values of derivative financial instruments are determined based on dealer quotes for similar instruments.

30 June 2014

11 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Capital work in progress \$'000	Total \$'000
At 1 July 2012						
Cost	55,383	69,211	30,908	1,163	295	156,960
Accumulated depreciation	–	(13,761)	(23,978)	(389)	–	(38,128)
Net book amount	55,383	55,450	6,930	774	295	118,832
Year ended 30 June 2013						
Opening net book amount	55,383	55,450	6,930	774	295	118,832
Additions	420	450	1,366	–	153	2,389
Disposals	–	–	(137)	–	–	(137)
Depreciation charge	–	(1,739)	(1,630)	(159)	–	(3,528)
Closing net book amount	55,803	54,161	6,529	615	448	117,556
At 30 June 2013						
Cost	55,803	69,662	31,929	1,163	448	159,005
Accumulated depreciation	–	(15,501)	(25,400)	(548)	–	(41,449)
Net book amount	55,803	54,161	6,529	615	448	117,556
Year ended 30 June 2014						
Opening net book amount	55,803	54,161	6,529	615	448	117,556
Additions	–	–	41	–	5,937	5,978
Disposals	–	–	(55)	–	–	(55)
Depreciation charge	–	(1,754)	(1,473)	(157)	–	(3,384)
Transfers	–	2,100	1,907	–	(4,007)	–
Closing net book amount	55,803	54,507	6,949	458	2,378	120,095
At 30 June 2014						
Cost	55,803	71,762	33,714	1,163	2,378	164,820
Accumulated depreciation	–	(17,255)	(26,765)	(705)	–	(44,725)
Net book amount	55,803	54,507	6,949	458	2,378	120,095

The land and buildings with building fixtures, fittings, plant and equipment were independently valued by Urbis JHD, Registered Property Valuer, as at 31 December 2004. In the valuer's opinion, the 'fair value' for financial reporting disclosure purposes was \$143 million. The Directors consider that the fair value of the property, plant and equipment continues to exceed its carrying value.

notes to the financial statements for the year ended

	2014 \$'000	2013 \$'000
12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Provisions and accruals	453	640
Derivative financial instrument	420	653
	873	1,293
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(873)	(1,293)
Net deferred tax assets	–	–
Movements:		
Opening balance	1,293	1,301
(Charged)/credited:		
– to profit or loss	(420)	(167)
– to other comprehensive income	–	159
Closing balance	873	1,293
Recovery of deferred tax assets		
Deferred tax assets expected to be recovered within 12 months	641	943
Deferred tax assets expected to be recovered after more than 12 months	232	350
	873	1,293
13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables and accruals	3,015	3,001
Employee benefits*	726	711
	3,741	3,712
* The current provision for employee benefits is accrued annual leave. The entire amount of the provision of \$726,000 (2013: \$711,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months:		
Current leave obligations expected to be settled after 12 months	303	269
14 CURRENT LIABILITIES – PROVISIONS		
Employee benefits – long service leave	566	518

30 June 2014

	2014 \$'000	2013 \$'000
15 CURRENT LIABILITIES – CURRENT TAX LIABILITIES		
Current tax liabilities	368	404
16 CURRENT LIABILITIES – OTHER CURRENT LIABILITIES		
Rents and other income received in advance	4,410	5,114
Rents and other income billed in advance	5,915	5,606
	10,325	10,720
17 BORROWINGS		
Secured		
Current commercial bill facility	33,000	–
Total current commercial bill facility	33,000	–
Non-current commercial bill facility	–	35,000
Total non-current commercial bill facility	–	35,000
Total secured borrowings	33,000	35,000
(a) Financing arrangements		
Bank loan facility		
Total facilities	45,350	45,350
Used at balance date	(33,000)	(35,000)
Unused at balance date	12,350	10,350
(b) Secured liabilities and assets pledged as security		
<i>First mortgage</i>		
Freehold land and buildings	110,310	109,964
<i>Floating charge</i>		
All other assets	25,538	22,340
Total assets pledged as security	135,848	132,304

Sydney Markets Limited has a three year \$45 million loan facility (overdraft and commercial bill facility) secured by a mortgage over the land and buildings and a charge over the assets of Sydney Markets Limited and provides for quarterly interest payments until 30 June 2015.

The availability of finance under the facility is subject to borrowing covenants, which include a number of financial ratios. As at the date of this report Sydney Markets Limited has met all the obligations and covenants set by the bank. The directors expect to renew or renegotiate this facility on substantially similar terms and conditions before it falls due on 30 June 2015.

notes to the financial statements for the year ended

18 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Tax allowances relating to property, plant and equipment	4,560	4,515
Prepayments	365	724
	4,925	5,239
Set-off of deferred tax liabilities pursuant to set-off provisions (note 12)	(873)	(1,293)
Net deferred tax liabilities	4,052	3,946
Movements:		
Opening balance	5,239	5,064
Charged/(credited):		
– profit or loss	(314)	175
Closing balance	4,925	5,239
Recovery of deferred tax liabilities		
Deferred tax liabilities expected to be recovered within 12 months	365	724
Deferred tax liabilities expected to be recovered after more than 12 months	4,560	4,515
	4,925	5,239
19 NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits – long service leave	149	138

30 June 2014

20 CONTRIBUTED EQUITY

(a) Share capital

Issued capital comprises 6,524 (2013: 6,524) fully paid shares of \$1 each

	2014 Shares	2013 Shares	2014 \$	2013 \$
Flowers Ordinary Shares	262	262	262	262
Growers Ordinary Shares	712	712	712	712
Retail Markets Ordinary Shares	5,060	5,060	5,060	5,060
Warehouse Ordinary Shares	240	240	240	240
Wholesale Ordinary Shares	250	250	250	250
	6,524	6,524	6,524	6,524

Each ordinary share of Sydney Markets Limited carries a right to vote, receive a dividend and participate in any surplus profit on a winding up in accordance with and determined by reference to the equity entitlement as set out in the Shareholders' Register.

Each share is irrevocably linked to the specific space within the Markets to which it relates and neither the share nor the space can be dealt with in any way without the other. The Retail Markets Ordinary Shares comprise two separate classes identified as "Flemington" and "Haymarket".

Shares not taken up by tenants are transferred to the Trustee, Perpetual Trustee Company Limited. The Trustee has no voting rights. Sydney Markets Limited has authorised share capital amounting to 200,000,000 ordinary shares of \$1.00 each.

(b) Capital risk management

Sydney Markets Limited controls its capital in order to maintain an appropriate debt to equity ratio and ensure that it can fund its operations and continue as a going concern.

As stated in the Director's Report, the Directors have established a policy that all operating profits and reserves earned by Sydney Markets Limited will be maintained, invested and accumulated in order to fund the costs associated with the continuation of the Central Markets.

The only externally imposed capital requirement arises from the company's loan facility (overdraft and commercial bill facility) with a major Australian bank. Ongoing funding will be provided as long as Sydney Markets Limited continues to comply with the facility agreement. There have been no changes in the strategy adopted by Sydney Markets Limited to manage its capital since the prior year.

	2014 \$'000	2013 \$'000
Total borrowings	33,000	35,000
Less: cash and cash equivalents	(2,589)	(2,660)
Net debt	30,411	32,340
Total equity	82,246	75,690
Total capital	112,657	108,030
Gearing ratio	27%	30%

notes to the financial statements for the year ended

21 RESERVES AND RETAINED EARNINGS	2014 \$'000	2013 \$'000
(a) Reserves		
<i>Cash flow hedges</i>	—	—
Movements:		
<i>Cash flow hedges</i>		
Balance 1 July	—	370
Transfer to profit and loss	—	(529)
Deferred tax	—	159
Balance 30 June	—	—
(b) Retained earnings		
Movements in retained earnings were as follows:		
Balance 1 July	75,683	68,248
Net profit for the year	6,556	7,435
Balance 30 June	82,239	75,683
(c) Nature and purpose of other reserves		
<i>(i) Cash flow hedges</i>		
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.		

22 DIVIDENDS

(a) Franked dividends

The franked portions of any final dividends recommended after 30 June 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2015.

	2014 \$'000	2013 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013 – 30%)	43,907	41,195

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

23 RELATED PARTY TRANSACTIONS	2014	2013
	\$	\$
(a) Key management personnel compensation		
Short-term employee benefits	1,335,633	1,281,030
Post-employment benefits	159,367	131,683
	<u>1,495,000</u>	<u>1,412,713</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 14.

(b) Other transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

Amounts recognised as revenue

Total income received or receivable by Sydney Markets Limited from Director-related entities for rents, dues and fees (recognised in revenue from continuing operations)

<u>347,798</u>	<u>411,979</u>
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Amounts recognised as expense

Total expenditure paid or payable by Sydney Markets Limited to Director-related entities for produce, sponsorships and scholarships (recognised in advertising and promotion costs and management and administration costs)

<u>82,123</u>	<u>88,826</u>
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Apart from the matters mentioned above, no Director has entered into a material contract with Sydney Markets Limited during the financial year.

24 REMUNERATION OF AUDITORS	2014	2013
	\$	\$
(a) PwC		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	150,775	143,180
Other assurance services	15,319	6,760
Total remuneration for audit and other assurance services	<u>166,094</u>	<u>149,940</u>
<i>Taxation services</i>		
Tax compliance services	19,000	18,000
Total remuneration for taxation services	<u>19,000</u>	<u>18,000</u>
<i>Other services</i>		
Assistance with financial statements preparation	22,475	21,820
Total remuneration for other services	<u>22,475</u>	<u>21,820</u>
Total remuneration of PwC	<u>207,569</u>	<u>189,760</u>

notes to the financial statements for the year ended

25 CONTINGENCIES

2014
\$'000

2013
\$'000

The company had no contingent liabilities or assets at 30 June 2014 (2013: nil).

26 COMMITMENTS

(a) Operating commitments

Operating commitments contracted for but not capitalised in the financial statements:

Payable:

Less than one year	2,957	2,886
Later than one year but not later than five years	12,408	12,105
Later than five years	92,784	96,001
	<u>108,149</u>	<u>110,992</u>

The above commitments relate to the Paddy's Market Haymarket site pursuant to a 30 year licence from 1 January 2010 until 31 December 2039 to the Sydney Markets Limited.

The licence lease is for a fixed annual lump sum payment indexed on 1 January each year by annual CPI.

(b) Capital expenditure commitments

Commitments in relation to amounts contracted for at the reporting date, but not recognised as liabilities, payable:

Less than one year	<u>450</u>	<u>1,527</u>
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27 FINANCIAL RISK MANAGEMENT

Sydney Markets Limited financial instruments consist of cash balances and short-term deposits with banks, commercial bills, accounts receivable and payable and interest rate derivatives. The main risks Sydney Markets Limited is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Sydney Markets Limited manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of Sydney Markets Limited financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the Finance and Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

(a) Interest rate risk

Sydney Markets Limited manages its funding costs by using derivative financial instruments to reduce exposure created by its variable rate debt. Details relating to Sydney Markets Limited hedging are set out in note 10.

Sydney Markets Limited regularly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

As at the end of the reporting period, the company had the following variable rate borrowings and interest rate derivatives outstanding:

	2014 \$'000	2013 \$'000
Commercial bill facility	33,000	35,000
Interest rate derivatives (notional principal amount)	(30,000)	(30,000)
Net exposure to cash flow interest rate risk	3,000	5,000

The loans drawn down under the commercial bill facility bear an average variable interest rate of 4.34% (2013 – 4.47%). The cap and the floor of the collars vary between 6.81% and 7.75% (2013 – 6.81% and 7.75%) and 3.75% and 7.19% (2013 – 3.75% and 7.19%) respectively with a premium between 0% and 0.9875% (2013 – 0% and 0.9875%).

At 30 June 2014, if interest rate had moved, as illustrated in the table below, with all other variables held constant, post-tax profit would have been affected as follows:

	Profit/(loss) +1% (100 basis points)		Profit/(loss) -1% (100 basis points)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest income/(expense)	(231)	(226)	231	226
Valuation of derivatives	222	349	(387)	(481)

notes to the financial statements for the year ended

27 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk with respect to receivables represents the loss that would be recognised if a substantial number of tenants failed to meet their obligations under lease or licence arrangements. The risk is minimal as the majority tenancies (especially warehouse leases and wholesale licences) have inherent market value which Sydney Markets Limited can offset against outstanding receivables. Credit risks are identified in a timely fashion as the majority of revenue is invoiced in advance. Ageing analysis and monitoring of specific overdue debtors are undertaken to manage credit risk. There is no significant concentration of credit risk involving any one tenant.

Credit risk with respect to derivatives arises with unrealised gains and the potential failure of a counterparty to meet their obligations at maturity of contracts. All of Sydney Markets Limited's derivatives have been entered into with a single AAA+ credit rated counterparty.

(c) Liquidity risk

Sydney Markets Limited manages liquidity risk by monitoring forecast cash flows, taking into account forecast capital expenditure and repairs and maintenance, and ensuring that adequate borrowing facilities are maintained.

The table below reflects undiscounted cashflows arising from all contractually fixed settlement terms for recognised financial liabilities including derivative financial instruments as of 30 June 2014.

	Less than 6 months \$'000	6-12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying Value \$'000
Year ended 30 June 2014						
Financial liabilities						
Trade and other payables	(3,741)	—	—	—	(3,741)	(3,741)
Interest bearing loans *	(738)	(33,737)	—	—	(34,475)	(33,000)
Interest rate collars	(482)	(146)	(848)	—	(1,476)	(1,401)
	(4,961)	(33,883)	(848)	—	(39,692)	(38,142)
Year ended 30 June 2013						
Financial liabilities						
Trade and other payables	(3,712)	—	—	—	(3,712)	(3,712)
Interest bearing loans *	(782)	(782)	(36,565)	—	(38,129)	(35,000)
Interest rate collars	(505)	(505)	(1,029)	(137)	(2,176)	(2,176)
	(4,999)	(1,287)	(37,594)	(137)	(44,017)	(40,888)

*These maturities are in line with Sydney Markets Limited's strategy. The facilities maturing in 2015 will be renegotiated at that time.

(d) Foreign currency risk and price risk

Sydney Markets Limited has no exposure to foreign currency nor equity securities price risk.

(e) Fair value measurements

The net fair value of financial assets and financial liabilities approximate their carrying values.

28 FAIR VALUE MEASUREMENTS

The company uses interest rate derivatives, which are carried at fair value based on observable market data as there is no prices quoted in an active market for the financial instruments (level 2). The valuation inputs are calculated based on dealer quotes in accordance with industry norms.

The company does not have any financial instruments that are carried at fair value using inputs classified as level 1 or level 3 inputs.

The company also has receivables, payables and borrowings which are not measured at fair value in the balance sheet. The Directors consider the carrying amounts of these financial assets and liabilities approximate their fair value.

29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 \$'000	2013 \$'000
Profit for the year	6,556	7,435
Depreciation	3,384	3,528
Fair value gain on derivatives	–	(370)
Net gain on sale of non-current assets	(22)	(8)
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(1,076)	(1,137)
Increase in deferred tax liabilities	106	183
(Decrease) in trade and other payables	(366)	(1,137)
(Decrease) in derivative financial instrument	(775)	(645)
(Decrease)/increase in provision for income taxes payable	(36)	37
Increase in provisions	59	93
Net cash inflow (outflow) from operating activities	7,830	7,979

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Directors' declaration

30 June 2014

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 43 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



MR JOHN C. PEARSON
CHAIRMAN



MR COLIN H. GRAY
DIRECTOR

Sydney
17 September 2014

independent audit report to the members of



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED

Report on the financial report

We have audited the accompanying financial report of Sydney Markets Limited (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation

Sydney Markets Ltd

30 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYDNEY MARKETS LIMITED (continued)

Auditor's opinion

In our opinion:

- (a) the financial report of Sydney Markets Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 13 of the directors' report for the year ended 30 June 2014. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Sydney Markets Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Sydney Markets Limited (the company) for the year ended 30 June 2014 included on Sydney Markets Limited's website. The company's directors are responsible for the integrity of Sydney Markets Limited's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.


PricewaterhouseCoopers


S J Bourke
Partner

Sydney
17 September 2014

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TENANTS
PARKING

STREET

HAMMERSMITH

SYDNEY MARKETS
PLAZA
Business and Shopping Centre

Plaza Road

North Road

Growers Road

Growers Road

BUILDING

Centre Road

AUSTIN AVE

Solar Panels

Flower Circuit

BUILDING F

Flower Circuit

Flower Circuit

BUILDING H

West Road

First Ave

BUILDING A

Second Ave

KERRUISH AVE

BUILDING J

South Road

BUILDING T

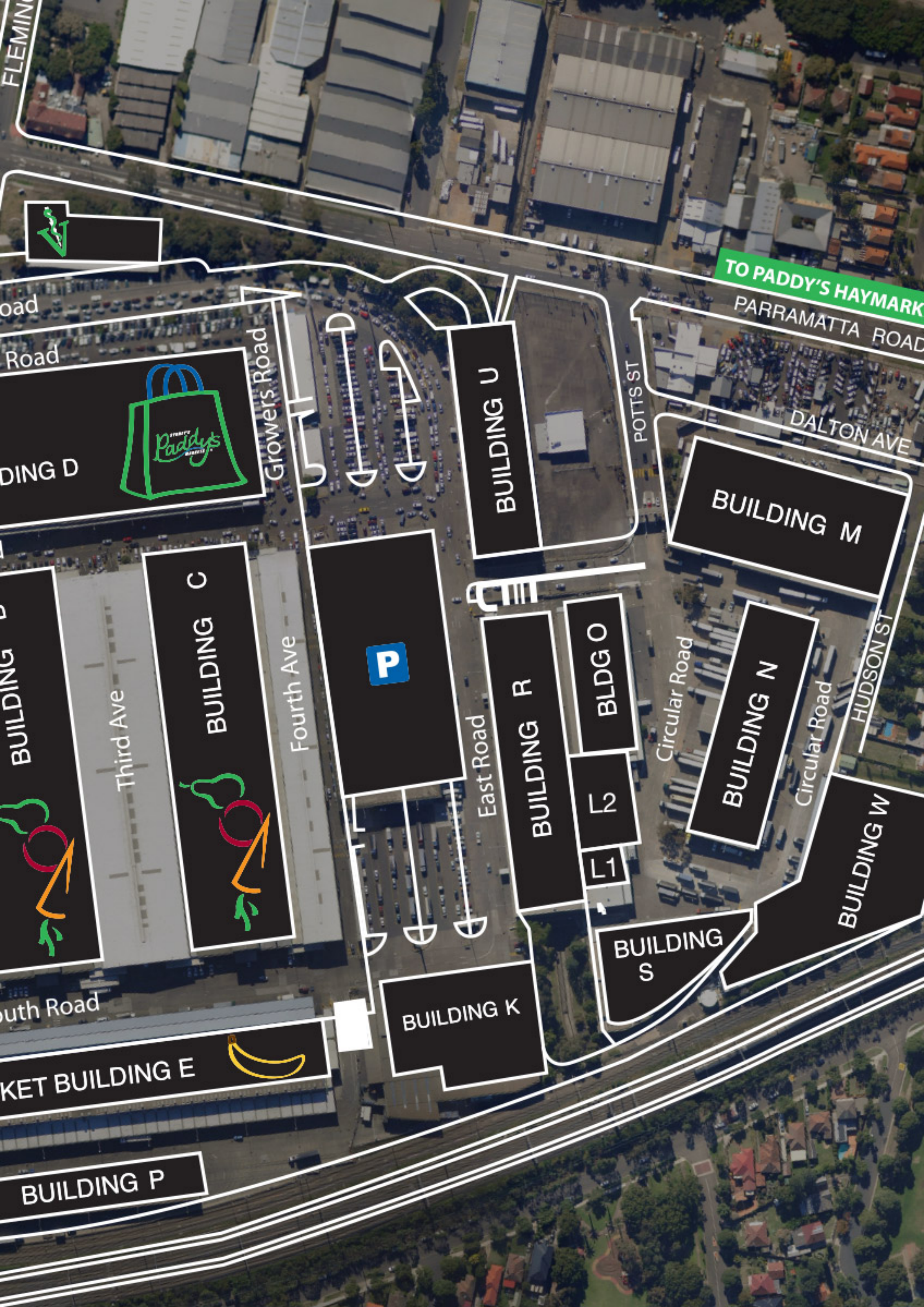
BUILDING G

BUILDING Q

BANANA MAP

PROVIDORES

Railway Parade





Sydney Markets Limited

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